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ABSTRACT

This paper reviews and analyzes a 1997-98 budget proposal by the Chancellor and Board of Governors of the California Community Colleges. The proposal, entitled "Partnership for Excellence," proposes to fund a portion of the California Community College budget on a performance basis, with a differential payout mechanism for colleges based on progress on selected indicators of student achievement. This paper briefly reviews the history of performance based funding, places the proposal in the context of national and international developments, and provides a critique of this budgetary approach in public higher education. Political aspects of the program are questioned in view of pressures felt by California Community Colleges to get the state governor to re-invest in the system. Budget priorities and public impact are reviewed, and finally, the paper outlines an action plan for the Academic Senate for the California Community Colleges in responding to calls for performance based funding. (AS)

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THE ACADEMIC SENATE
For California Community Colleges

Performance Based Funding: A Faculty Critique and Action Agenda

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Adopted
Spring 1998

Performance Based Funding: A Faculty Critique and Action Agenda

The Academic Senate for California Community Colleges

Adopted Spring 98

1997-98 Educational Policies Committee
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ABSTRACT

This paper reviews and analyzes a 1997-98 budget proposal by the Chancellor and Board of Governors of the California Community Colleges. The proposal was to fund a portion of the California Community College budget on a performance basis, with a differential payout mechanism for colleges based on progress on selected indicators of student achievement. Entitled "Partnership for Excellence," the proposal was incorporated and further extended in the initial budget proposed by the Governor of California. This paper briefly reviews the history of performance based funding, places the proposal in the context of national and international developments, and provides a critique of this budgetary approach in public higher education. Finally, the paper sets out an action plan for the Academic Senate for the California Community Colleges in responding to calls for performance based funding.

INTRODUCTION

The Chancellor of the California Community proposed in 1997-98 funding part of the system's budget on an "incentive" or performance basis. Dubbed "Academic Excellence," and later, "Partnership for Excellence," the Chancellor claimed that the proposal was what was needed to convince the Governor to re-invest in the system. Often referring to the proposal as a "quid pro quo," the Chancellor asserted that the Department of Finance, and legislators in general were looking for assurances that the taxpayers' money was well spent.

The Academic Senate for California Community Colleges went on record with multiple resolutions at its Fall 97 Plenary Session opposing performance-based funding and its negative effect on access, student success, grade integrity, academic rigor and local control.

F97 5.2 Performance Based Funding

Therefore be it resolved that the Academic Senate for the California Community Colleges oppose performance based funding as a mechanism for distributing funds to colleges and districts.

F97 5.6 Funding Mechanisms and Academic Rigor

Therefore be it resolved that the Academic Senate for California Community Colleges urge the Board of Governors to reject any funding mechanism that would institutionalize pressures toward grade inflation and the reduction of academic rigor.

F97 5.7 Public Debate and Funding Mechanisms

Therefore be it resolved that the Academic Senate for the California Community Colleges urge the Board of Governors to reconsider its decision to alter the fundamental funding mechanism absent internal system dialogue and opportunities for public debate and comment concerning the wisdom and implications of performance based financing mechanisms.

The Academic Senate also passed a resolution to document to the public and to the Legislature the ongoing accomplishments and excellent programs and services in transfer, occupational and basic skills education at the California Community Colleges. This resolution was taken as a counter to the implied message in the "Partnership for Excellence" proposal that excellence did not currently characterize community colleges.

F97 5.8 Academic Excellence

Therefore be it resolved that the Academic Senate for California Community Colleges direct its Executive Committee to develop a statement for public information that documents the successes of California community colleges.

The Academic Senate for California Community Colleges had also passed in Spring 1996 a resolution concerning alternative funding models. In the Fall of 1997 the Academic Senate resolved to develop a paper defining quality and faculty productivity in terms of educational excellence.

S96 5.2 Alternative Funding Mechanisms

Therefore be it resolved that the Academic Senate for California Community Colleges direct the Executive Committee to hold a breakout at the 1997 Fall Session which would present information on possible alternatives to our current state funding mechanism which is based on FTES and WSCH, and

Be it further resolved that the Academic Senate for California Community Colleges direct the Executive Committee to present at the 1998 Spring Session a position paper on an analysis of the FTES funding formula and changes that may include but not be limited to: a) alternative funding models b) control of funding from the legislature (Education Code) to the Board of Governors (Title 5) c) other progressive approaches to community college finance.

S97 1.5 Redefining "Faculty Productivity"

Therefore be it resolved that the Academic Senate for California Community Colleges does not endorse the use of TQM/CQI as a model for restructuring the education process, and

Be it further resolved that the Academic Senate for California Community Colleges direct the Executive Committee to develop a position paper that defines quality in terms of educational excellence and thus addresses calls for increased faculty productivity.

Academic Senate representatives have taken a leadership role in researching performance based funding and analyzing the impact of such a funding mechanism on California community colleges. The Senate has held breakouts, published articles, testified before the Board of Governors and their sub-committees and participated in the Consultation Council Task Force discussions on performance based funding.

This paper will examine and explicate the main issues involved in performance based funding. A brief history of the movement toward performance based funding will be examined, along with a review of the experience in other states and countries. Finally, the paper will outline a set of action steps to be taken by the Academic Senate for California Community Colleges regarding performance based funding.

HISTORY AND CONTEXT

Genesis of Movement

Performance based funding became popular in public higher education in the early 1990's. **Performance based funding** can be defined as "special state funding tied directly to the achievements of public colleges and universities on specific performance indicators." Burke and Serban, authors of a series of reports on performance based funding, distinguish performance based funding from **performance budgeting** in which "state governments consider reports of achievements on performance indicators as a factor in setting budget levels for public higher education and its institutions, without tying designated amounts directly to performance on specific indicators" (Burke and Serban, 1997, p.1).

The "institutional indicators" movement is an offspring of the Management by Objectives (MBO) organizational fad of the late 1960's and early 1970's. MBO slipped from favor because of manifest problems with goal displacement: the tendency to promote cosmetic improvement in indicators rather than solid advancement in institutional objectives. The "quality movement" carried forward the focus on outcomes as a means of continuously monitoring "performance" in the production cycle. Originally associated with its founder Deming, this Total Quality Management (TQM) approach to industrial production has been reincarnated more recently in the public sector, and particularly in higher education, where it has been dubbed Continuous Quality Improvement (CQI). A focus on outcomes, quantitatively defined, is a hallmark of the performance measurement approach (Zimny, 1998).

While educators have historically included quantitative data in their program reviews, the CQI movement highlighted this as a central management tool. The rise of larger and more powerful computer management information systems made possible an increasing use and reporting of data in centralized data banks and spawned a decade of experiments in massive data collection in public higher education. A boon to educational research, this has also proven to be increasingly important for state policy makers. The hope that "data driven decisions" could rationalize educational planning and budgeting in an era of fiscal restraint underlies the increasingly quantitative direction of educational policy discussions.

Similarly, the rise of a belief that assessment can be used to improve accountability for student outcomes has generated a spate of state mandated tests, be they entrance or exit exams, aimed at ensuring that students have learned and are proficient at certain skills upon completion of a program of study. Originally aimed at K-12 education, this assessment movement has spread to undergraduate education. The move to externally mandated standardization is central to the performance based funding approach, as increasingly, state governments demand proof of student achievement to justify increasing public education budgets. This trend is clearly evident in the report issued by the Education Commission of the States [ECS] (1996) on three states involved in the performance reform movement.

Performance based funding, however, must be understood in the changing political context in many state legislative bodies. Increasing preoccupation with tax reduction and attendant campaigns to reduce costs in the public sector have led to frank discussion of whether the commitment to open access to public education can be sustained. Debate as to whether states can continue to fund remedial efforts in the colleges, as well as whether the college aspirations of large percentages of the population should be supported and encouraged is found throughout the literature on performance based funding (See especially, ECS,1996).

Other States: Different Approaches and Results

While the numbers continue to shift and some studies confuse performance budgeting with performance based funding, currently eight states tie appropriations in higher education to "some kind of measurement scheme." These states are Colorado, Florida, Kentucky, Minnesota, Missouri, Ohio, South Carolina and Tennessee. According to Burke, another 18 are considering adopting such an approach in the future. On the other hand, performance based funding has suffered setbacks in four states. Arkansas ended performance based funding and its future in Connecticut and Kentucky is considered unpredictable. Texas, after an initial experiment, abandoned the approach as unwieldy (Burke and Serban, 6-7; Trombley 1998).

Most states which fund by incentive do so for only a portion of the budget. Referred to as funding "on the margin," partial allocation according to performance is seen as a way to ensure that state priorities are met, while rewarding "early adopters" or innovators who change practices to accomplish the mandated goals. Tennessee, which adopted this approach early on, currently applies some ten indicators to determine up to 5.4 percent of college budgets (down from an earlier 7 percent overall) while Missouri funds about 5 percent on this basis. As detailed by William Trombley in an extensive review of South Carolina's recent efforts, that state decided to base all of its public higher education budget on a performance basis (Trombley, 1998).

According to a national study of performance based funding conducted by the Rockefeller Institute of Government, the public policy research arm of the State University of New York, performance based funding has met with implementation difficulties, campus opposition, and political shifts (Burke, 1997, Burke and Serban, 1997, Serban 1997). Hastiness of the reform has been a major drawback. Often done in the rush of the political process, the efforts to revamp complex educational systems by budgetary incentives have spelled predictable and costly problems in actual implementation. In the Texas case, the major reason for failure was the rush to institute this data driven approach with inadequate data collection capability and lack of clarity over the indicators at the inception. A case study on the Texas approach concluded that "the main lesson learned by those involved . . . was that there must be more effective measure[s] of both performance and quality before any form of performance-based funding will function" (Bateman and Elliott, 1994).

According to a recent article in the *Chronicle of Higher Education*, "Timing is key: Elected officials may want immediate implementation and results." The Rockefeller study recommends that, if the approach is to work, policy makers should mandate only broad goals, and delegate the means to achieve them to a representative group of "external stakeholders and college officials" (Carnevale, Johnson, and Edwards, 1998).

Ernst Benjamin, former Secretary and President of the American Association of University Professors, argues that the entire approach ignores the erosion of instructional funding that has contributed substantially to the current deficiencies the reformers aim to correct. Benjamin asserts that the debate over performance generally neglects to address national trends which have undermined the quality of undergraduate instruction and which have compromised the ability of students to succeed. In particular, Benjamin references the inadequate provision of student aid, the longer work hours for the average college student, the proliferation of part-time faculty, and the general expansion of access without the concomitant commitment of resources to ensure student success and institutional quality (Benjamin, 1990, B1-2).

It should be noted that the national trend toward chronic underfunding of public higher education cited by Benjamin is by far more clear in California. A report prepared by the 2005 Task Force for the Chancellor's Consultation Council of the California Community Colleges and the accompanying technical papers substantiated that the state investment on community colleges in California is significantly below that of other states. This resource gap is clear when comparing California per student expenditures of $3,554 to the national average of $6,022. This while other states supported twice the rate of enrollment growth than that of California. As the 2005 Report concluded, "California community colleges are operating as the lowest cost system of higher education in the country. In every expenditure area examined, California was below the national average expenditure" (Chancellor's Office, "Funding Patterns" 1997, p.11). Faculty in the California Community Colleges work harder and with more students than elsewhere; their teaching loads on average are some 25% greater than the rest of the country, and class sizes are on average 10 students more than the national average (Chancellor's Office, "Funding Patterns" 1997, p.11).

A college president from South Carolina, who was quoted in Trombley's *Crosstalk* article but asked not to be identified, indicated that "The basic problem here is that higher education is drastically underfunded. No amount of 'performance indicators' or any of that other stuff is going to change that." Another president, Mary Thornly of Trident Technical College when interviewed by Trombley, noted that "there's a strong interest in South Carolina in rolling back taxes of every sort." Trombley points out that in such a climate, more "accountability" is not likely to increase public investment in public higher education (Trombley, 1998, p.15).

In those states which have adopted performance based funding, proliferation of indicators has spelled increasing costs. Data collection and reporting for thousands of measurements in turn requires increasing personnel time devoted to managing and manipulating the performance data. Costly investments in centralized and powerful computing systems are also needed. According to Trombley, critics of the approach assert that larger and larger amounts of "often meaningless information are being compiled which will ultimately not lead to increased financial allocations." The data gathering has become particularly difficult for small colleges according to Trombley. In

South Carolina, the Legislature appropriated no additional funds for the project, effectively requiring that colleges and universities absorb the costs. As Marsha Welsh told Trombley, "This is costing the state a fortune. We have a number of people who are dedicating a significant part of each day to this, and when all the numbers fall out, what are they going to mean? . . . It's really frustrating. . . Higher education is in such tough shape in this state, the situation is growing more and more disparate and we're spending all this time and effort on this exercise" (Trombley, 1998, 14, 15). Experiences in Oregon, Wisconsin and Florida have all shown that assessment and performance evaluation is costly, both in time and resources. Given the severe budget constraints, the high start-up costs can further drain already underfunded institutions (ECS, 1996).

If performance based funding were to bear positive results for students, it could be argued that the up-front investment was justified. However, to date, little concrete evidence of increased student success as a result of the adoption of performance based funding has been documented. Even proponents admit that the "current lack of evidence for success of these approaches fuels . . . skepticism. Unfortunately it is difficult to assess reform initiatives' impact on students and their performance" (ECS, 1996, 26). Research done as part of the 2005 Task Force by the Chancellor's Office of the California Community Colleges noted that "[P]erformance funding (PF) for postsecondary education has had mixed results, but nowhere has it (PF) been demonstrated to improve student learning" (McIntyre, 1997, 2). Similarly, Trombley included comments from a range of involved administrators and educators in South Carolina who openly declared that while there might be some public relations benefits to the performance based funding approach, they have little faith that it will pay off for students. Trombley closes his article with a quote from Sally Horner, a vice-president at Coastal Carolina University, "This may enable higher education to regain some of the credibility it has lost, . . . But do I think it will affect, in the near future, what goes on in the learning experience of a single student in this state? No, I don't think so" (Trombley, 1998, 18).

While market-based systems are currently popular, as Ewell points out, these are fashionable because they are consistent with the rhetoric of deregulation, not because they improve education or student preparation. (Ewell, 1997, 154) As Nedweck puts it, translating performance indicators into "actionable options that drive program improvements is an essential step." He argues that "[m]ore work needs to be done on the 'uncertain connection' between performance indicators and educational improvement" (Nedweck, 1998, 142).

In part, the absence of positive student effect associated with performance based funding is related to the confusion surrounding the functions such a funding approach is intended to serve. Ewell points to at least four distinct purposes embedded within these current approaches to accountability: 1) *General public accountability.* This purpose is related to concern with the expenditure of and the overall investment return on public funds. Intended for lay audiences, this might be compared to a "stockholder report in the corporate sector." 2) *Assuring capacity.* This centers on whether educational institutions are doing what they are intended to do, and to the proper or expected degree. 3) *Informing choice.* Similar to product reviews, this function assumes that comparative information on institutions of higher education will inform "customers'" purchasing choices. 4) *Recommending internal improvement.* This function is intended to guide decisions about what needs to be done within the organization to improve the operations and services. According to Ewell, information critical to this latter function can easily

be misinterpreted without a detailed knowledge of context and intended improvements (Ewell, 1997, 154). These quite different purposes require different accountability mechanisms. All too often the assumption is made that pursuing the first two will pay off in the latter two purposes.

In fact, there may be inherent contradictions in these purposes. For example, improving capacity could be accomplished by increasing class size; however, particularly in basic skills contexts, this could reduce student success. Confusion about what is appropriate at a systemic and what is properly an institutional level of accountability further complicates the picture. Without clearly delineated and distributed systems of quality assurance and accountability, performance based funding schemes can "act as . . . a tax on the higher education enterprise--adding costs, but yielding little additional value for anyone involved" (Ewell, 1997, 157).

Proponents of performance based funding nonetheless assert that the approach "won't go away" and that despite the high costs, the lack of evidence of increased student success and implementation difficulties, performance based funding should be pursued. A recent article in the *Chronicle of Higher Education* asserted that even though there have been marked implementation problems in most cases, "market oriented, information-driven reforms are here to stay" (Carnevale, Johnson, & Edwards, 1998). The Rockefeller report indicates that "while performance based funding for higher education seemed 'fashionable' as a state legislative mandate in the early 1990's . . . its momentum may have stalled" (Burke, p. 1). Though cognizant of multiple problems with implementation, Burke also hopes that performance based funding will be found useful, and the most successful approaches replicated.

Repeated concern about the charge that this is yet another "educational fad" is apparent in the performance based funding literature. The Pew Charitable Trust has recently raised concern over the recurrent waves of reform plaguing public organizations. Many of these reform programs are incomplete and without real evaluation (cited in Carnavale, et al., 1998). The data do not yet support or justify the magnitude of public expenditure necessary to implement performance based funding. As a recent study released by the Association for the Study of Higher Education (ASHE) put it, "It remains unclear whether performance indicators and incentive funding will result in any widespread, lasting innovations or the concept will pass quickly through higher education in this country, leaving only a modest residue" (Gaither, 1994).

Wisconsin and Oregon have not moved to performance based funding, but have turned to performance and proficiency based approaches to educational reform (ECS, 1996). Oregon's Proficiency-Based Admission Standards System (PASS) exemplifies the issues. In Oregon, performance based standards and certificates were implemented for the K-12 system, though college preparation was not originally addressed. The need to increase productivity in the higher education systems of Oregon began to be considered "after a 1991 property-tax limitation effort shifted K-12 funding from local school districts to the state, impacting state funding levels for higher education of some 40% over five years" (ECS, 1996, p. 8). In addition to calling for budget cuts, state legislators recommended "increased productivity" from the state's colleges and universities--or as Sebring put it, "more hours for faculty in front of classes and more students in

each classroom" (ECS, 1996, p. 8). The turn to performance admissions in the state was explicitly seen as a way of reducing the numbers of students who would need to be educated by weeding out those unable to perform.

International Precedent

The movement to performance based funding has international precedent. In Europe and Australia, central governments have been directly involved in establishing "indicators." In the United Kingdom, for example, "quality control, quality audit, and quality assessment are being carried out by the Higher Education Quality Council and the three Higher Education Funding Councils. A new central agency to gather and analyze data, the Higher Education Statistics Agency (HESA), has been established" (Kyrillidou, 1997).

According to the study published by ASHE, "a hint about any lasting contribution and the future role for performance indicators can be found in Europe, where early pioneering efforts on quality assessment are maturing . . ." In Europe, according to the study, "the role of performance indicators is declining" amid "growing doubts about the ability to 'measure the unmeasurable,' particularly about the validity of such measures in evaluating and rewarding quality--this has lead to a retrenchment in such countries as the Netherlands and the United Kingdom." At the same time, the ASHE study suggests, more emphasis is being placed on national and institutional experiments with assessment techniques like peer reviews and quality audits, relegating performance indicators to the role of supporting tools in such efforts" (Gaither, 1994).

The California Community Colleges: A System Proposal and the Governor's Response

California Community Colleges' Chancellor Tom Nussbaum proposed a $100 million budget request for 1998-1999 which he originally entitled "Academic Excellence." The proposal would tie additional funding for the colleges to specified outcomes. Performance on a selected set of indicators by individual districts would be rewarded with extra money. While the particulars of the price list kept changing, the indicators under discussion were as follows: successful course completions, defined as "C" or better ($45), associate degrees awarded ($125), certificates earned ($75) and transfers to University of California, California State University and private universities ($130).

After raising the idea of performance based funding in system level summer consultation meetings, in which leaders of faculty, students, and administration participate, Chancellor Nussbaum forwarded his proposal to the Board of Governors, over the opposition of the Consultation Council. Despite the unified opposition and testimony of representatives from the Academic Senate for California Community Colleges, the Community College League of California (representing CEO's and trustees), the California Federation of Teachers, the California Teachers Association, California Student Association of Community Colleges and the Faculty Association of California Community Colleges, at their September 1997 meeting the

Board of Governors approved the plan "in concept," without deciding the specifics of the formula. The Board clarified that the Consultation Council should work out the details and provide the indicators.

The proposal, complete with "staff developed" indicators, was forwarded to the Governor's Office a little less than two weeks after the Board of Governors meeting. Despite the set of indicators already submitted to the Governor's Office, the Chancellor engaged the Consultation Council in discussions to further identify indicators that could be measured in order to more accurately capture the value of the community colleges. Simultaneously, local CEOs were asked to engage their colleges in the discussion of "picking the indicators" by which they would want to be measured in pursuit of performance based funding dollars. The effect of this approach would be to have the field and the Consultation representatives believe they could share in the molding of the proposal and the shaping of the indicators.

The Consultation Council Task Force on Partnership continued to meet throughout the Spring of 1998 and managed to ameliorate some of the most problematic indicators. Citing lag times between performance and reporting, the Chancellor proposed pursuing system goals for improvement on the selected indicators with an FTES payout mechanism, only if the Board of Governors were granted the authority to move to district specific, performance based payouts after three years if "sufficient" progress were not made on the goals. It should be noted that all groups remain opposed to the performance payout approach, whether instituted now or in three years. Essentially, all colleges would have to act immediately as if the funds were district-specific in order to maximize funding for the future. Further, what constitutes "sufficient" progress has been left undefined. Importantly, the goal setting and indicator refinement has been done largely without detailed data or analysis on what it might cost to make improvements on any of the indicators.

As of this writing, the proposed indicators under consideration by the Chancellor are:
1) transfers to UC/CSU/Independents; 2) certificates granted for approved programs;
3) successful course completion for transfer, vocational, and basic skills courses; 4) workforce preparation: credit course enrollment and completion; number of students served and dollar volume in contract education, job training grants, and fee-based classes; 5) advancement in basic skills defined as progress in a sequence of basic skills courses.

The Chancellor has stated that his main goal in pursuing this proposal was to secure increased funding for the system. He has indicated a belief that this approach would "sell well" in legislative circles. The Governor, according to this reasoning, would not "go for" program improvement funding anymore. And, since legislators have become enamored of "performance sensitive" funding schemes, it would be prudent for the California Community Colleges to propose its own performance based funding plan before it was externally imposed.

The Chancellor argued that the "Partnership for Excellence" proposal was needed to convince the Governor to re-invest in the system. In exchange, the Chancellor proposed a departure from the historic, enrollment-based funding system. Moving to a district-specific payout mechanism on the basis of performance on the selected indicators of student achievement, the Chancellor argued, would assure the state that community colleges were serious about accountability. The

Chancellor asserted that the Department of Finance and legislators in general were looking for assurances that the taxpayers' money was well spent. Key staff members in the Chancellor's Office also asserted that the system needed something that would "sell," that was "sexy," in order to compete with K-12 reduced class size in the allocation of scarce Proposition 98 dollars.

The Governor included the proposal for performance based funding in his 1998-1999 budget at only half the amount ($50 million) proposed by the Chancellor and Board of Governors. The Governor then took the proposal a step further by proposing the outcomes: degrees, certificates, course completion, transfer and transfer ready students, persistence and retention rates, specialized training, earnings after education, and movement from remedial to college level work. Clearly, the Governor upped the ante: not only were the indicators defined, statewide performance goals and measures would now be determined by consensus of the Board of Governors, the Department of Finance, the Legislative Analyst, the Office of Child Development and Education, and the California Postsecondary Education Commission (CPEC).

Subsequent to the Governor's initial proposal for the 1998-99 budget, the Chancellor went farther than working with the Governor to put performance based funding in budget language. Chancellor Nussbaum proposed to the Board of Governors a document, entitled "2005: A Strategic Response," which would enshrine this approach as policy. Already, legislation drawn up by the Chancellor's Office and carried by Assembly Member Carol Migdin (AB2005) would put into law state indicators for performance based funding. Performance based funding for a portion of the budget is among the recommendations made by the Chancellor's consultant, Dr. Gerald Hayward, hired to make recommendations for revision of the Education Code pertaining to California community colleges.

CRITIQUE OF APPROACH

Pressures on Academic Integrity: Concern for Grades and Standards

Tying monetary incentives to the awarding of grades and degrees, does not seem in accord with a commitment to "excellence." Performance based funding establishes budgetary rewards which can create institutional pressure toward grade inflation, reduced rigor and lowered requirements. A previous article in the Academic Senate *Rostrum* (Collins, 1997) argued that faculty should not be placed under this kind of pressure, nor should administrators have to manage their institutions with such a reward structure. Educational standards would likely have to be maintained in spite of such a budget structure, not because of it. Concern was expressed that a perception that the system "pays" for grades--and for degrees--would portend a potential loss of credibility with four-year partners. Such pressures on academic integrity could undermine the improved and hard-won respect community college faculty in California have earned with colleagues at transfer institutions since the passage of AB1725, and, most importantly, jeopardize students' chances for success in transfer or occupational contexts.

Ewell notes that academic measures "require safeguards against institutions acting only to manage the numbers. Rewarding institutions for successful program completion rates, for example, may obscure the fact that such rates are largely attained by lowered standards or greater up-front selectivity." If used at all, Ewell argues, they must be accompanied by built-in checks and balances designed to prevent such abuses (Ewell, 1998, 152). The current proposals by the Governor, the Chancellor and the Board of Governors contain no such safeguards.

At the extreme, pressures toward grade inflation can be most easily seen in the misapplication of incentive structures recently evidenced at a San Francisco high school where teachers were given two months notice to "increase the number of A's, B's and C's by 5 percent." Henrietta Schwartz, dean of the CSU school of education, asked "What right does the administration have to influence the way in which teachers give grades? I hope teachers will resist this." Schwartz also called the mandate "an infringement of academic freedom" (Asimov, 1998, A1).

More subtle pressure on grades and program standards is more likely to occur in necessary and routine academic planning processes. Faced with such an incentive structure, responsible administrators and faculty will need to incorporate into their educational planning consideration of the "payoff" earned by different parts of the curriculum. The curricular mix, or balance of courses, currently is assessed based on its productivity (generally defined as weekly student contact hours per full-time faculty equivalent), as well as its centrality to the mission, and the comprehensiveness of the curriculum. Departments and divisions must weigh the need to balance "high cost" sections of advanced courses in majors and technical specialties which tend to have smaller class enrollments with "lower cost" sections of more readily filled introductory courses. The cost per full-time equivalent student is a regular feature of educational management which determines in part the scheduling of courses, the hiring of new faculty, and the overall programmatic mix of offerings. Performance based funding adds a new element to the scheduling mix. Of course, scheduling more courses of those classes which produce "successful" student outcomes might seem sensible--but if one considers the practical effect of such a scheduling parameter it is easy to see how the performance criterion could readily skew educational quality. If in order to receive scarce funds, and to finance increasing technological requirements, programs and colleges must consider adding sections which will serve to "improve" outcomes, the built-in bias toward relaxation of standards--via the proliferation of courses and sections with higher percentages of successful completion (defined as C or better) and/or programs or majors which produce more certificates or degrees--is obvious. Concern about grade inflation and lowered standards is, of course, a central objection of faculty to performance based funding.

The Chancellor has asserted that he "rejected the idea that faculty would be pressured into grade inflation, believing instead they will exercise their professional responsibility" (Nussbaum, 1998). Clearly, the Chancellor misunderstands the nature of academic planning and the pressures on educational decisionmaking in resource-scarce institutions.

Academic Expertise and Political Pressure

This misperception of how pressures toward grade inflation will operate is indicative of another general problem with performance schemes: they are generally put together by non-educators. In this case, the predominant Chancellor's Office staff taking the lead in shaping the proposal were vice chancellors whose previous experience had not been in education, but in the legislative arena. While the Board of Governors includes some educators, the majority are also lay persons.

The repeated dismissal of concerns voiced by the faculty and educational administrators on the Consultation Council Task Force on Partnership and in consultation suggests that the Chancellor and his key staff were more concerned with delivering the proposal than in making it educationally sound. The recurrent rationale in the literature on performance based funding is that faculty simply do not want to be held accountable or resist the concerns of the public for accountability. This rationale tends to minimize the content of the objections, and places the debate on a rhetorical, rather than substantive, plane. It reflects the politicized nature of the current educational reform climate. Boards of higher education have been under increased pressure to express loyalty to and deliver policies favored by governors or other political forces, "rather than to the institutions and their students and faculty" (Baliles, 1997, 11). Gerald Baliles, the former Governor of Virginia, argues that this "growing political chill in the wind for higher education" represents a basic departure from "our continuing responsibilities to provide the best possible education, in favor of the fleeting caprice of current political blueprints, or , more dangerously, the lure of ideological factions." Increasingly, boards, chancellors and presidents must position their institutions to compete in the marketplace, and are under pressure to do so at the expense of protecting the institutions and systems from political forces (Baliles, 1997, 11).

Indeed in the South Carolina case, as in several others, the lack of input by professional educators was by design (Schmidt, 1997, A26-27). There, a study group appointed by the state legislature included state senators and representatives as well as representatives of business and industry and was guided by a management consultant, Terry Ainsworth. The group was chaired by Austin Gilbert, who owns a small construction company and chairs South Carolina's Commission on Higher Education. As Trombley describes the process, "none of the members came from higher education . . . Administrators and faculty leaders were in the audience . . . but could not speak unless . . asked specific questions." As Gilbert put it, "There was kind of a gentlemen's agreement that we didn't want that kind of pressure." As Jack Parson, the president of the statewide Council of Faculty Chairs, put it, committee members were "largely unencumbered by knowledge of higher education." According to Trombley's article "Ainsworth, the group's facilitator, said the absence of college administrators and faculty members 'could be a positive--the people involved didn't have any particular biases'" (Trombley, 1998, 10). Using key pads called "innovators" members of the study group "selected 37 'performance indicators,' ranging from graduation rates to 'use of best management practices.'" These indicators, enshrined in law and signed by the Governor, "mandated that future funding of all higher education in South Carolina should be based on the 37 indicators, not on the enrollment-driven formula of the past" (Trombley, 1998, 2).

Changing the Funding Mechanism: Access and Public Impact

The proposed performance based funding approach represents a clear departure from the current funding mechanism, which combines incremental, enrollment based allocations tempered by formulas which incorporate program based standards. The current approach, while far from perfect, allocates money based on the numbers of students served in a given district, while building in, at least in part, weighted considerations of enrollment variations by type of program and/or student. Beyond the enrollment and program based dollars in the apportionment of general funds, the system has also relied on categorical funds to address particular priorities and needs of the state, and to ensure that particular students or aspects of the mission are served. Though the AB1725 reform of 1988 instituted program based funding in order to secure and maintain educational standards in the California Community Colleges, it was never fully financed, in part due to the recession which hit after the reform was passed. Even though the California economy has recovered, there has been no recommitment to ensuring the legislative intent for program based funding.

The master plan for higher education in California codified the commitment of the state to educate all citizens who could profit from instruction. The plan specified the multiple missions of the community colleges; it gave priority to transfer and general education, made vocational education a prime activity for the two-year colleges, and committed the community colleges to addressing broad needs for basic skills education. More recently, the addition of economic development as a formal part of the mission has rounded out the complex role to be played by the community college system. The "Partnership for Excellence" proposal is most problematic in relation to the master plan. Distributing funds differentially based on performance of students across the diverse regions and communities served, the stage is set for exacerbating regional gaps in level of educational resources. If significant funds are so allocated, even if only for a portion of the overall budget, over time, this will result in some geographical areas pulling ahead of others in the level of funding available to them. The state will in essence be deciding to invest more heavily in certain kinds of communities than in others. This is not an accidental, but is a constituent element of the performance based approach. In fact, as Burke and Serban have concluded, a retreat from equitable funding and equal access to educational opportunity has been a clear hallmark of all the state experiments with performance based funding. Concern for efficiency, over educational quality and access, is the main value driving the performance based movement (Burke, 1997; Burke & Serban, 1997).

As the 2005 Task Force Report makes clear, the negative impact of funding shortfalls throughout the 1980's and 1990's in California community colleges has fallen primarily on access. The California community college participation rate fell to a low of 57.5 students per 1,000 California adults in 1995, from a rate of nearly 88 per 1,000 in 1975. More disturbingly, this rate change disproportionately impacted different social groups. For example, the participation rate of African-American males was cut in half, and that of African-American females dropped by nearly one-third. The 2005 Report concludes that this trend, combined with a continued low participation rate of Latino students as compared to other population groups, could have dire consequences for the social fabric of the state, not to mention the lives of millions of individuals

(Chancellor's Office, 2005, 1997, 2-6). In face of these trends, it does not seem prudent to propose educational funding policies which could further accelerate the disproportionate availability and quality of higher education across the state's diverse regions.

The impact and import of performance based funding as proposed will be to exacerbate educational inequality across the state and across the kinds of students served. Such a pricing structure for student "achievement" would end up favoring some districts over others. In the formulas originally drafted by the Chancellor's Office, suburban districts would have been clearly favored over urban and rural districts. Districts with larger percentages of already well-prepared students would have an institutional advantage over those with larger percentages of underprepared students. Similarly, districts with more students from higher socioeconomic backgrounds would likely enjoy funding advantages over districts or colleges with a higher percentage of students who had to work while attending college (Scroggins, 1997). While work of the Consultation Council Task Force on Partnership has mitigated some of the worst features of the Chancellor's original proposal, differential payout on the basis of student achievement will necessarily result in funding practices which reflect differential academic preparation levels in different regions. Furthermore, the use of redundant achievement measures (in this case the overlapping variables of high completion, transfer and graduation rates) will exaggerate the benefits accruing to colleges whose student profiles fit the underlying, interrelated causal factors of higher socioeconomic status, parental education and access to superior high school instruction (Collins, 1998).

Any formula focused on student achievement of certificates, degrees and transfer would penalize colleges with a higher proportion of part-time students and students whose goals were not degree related. In fact, the emphasis on degrees and certificates fails to reflect the reality of our mission: the majority of our students are part-time and tend to have shorter-term educational goals for training, employment or the enhancement of job skills.

An outcomes approach to educational funding for California community colleges ignores the basic foundation upon which the system is built: open access. Studies by the UCLA Higher Education Research Institute in 1993 found that, *"regardless of where they attended* college, the least well-prepared students were *five* times more likely to drop out than the best-prepared students" (Astin, 1997, A48; italics in original). Thus, retention rates tend to reflect admission policies rather than retention practices. Graduation rates are even more misleading. Comparisons of expected graduation rates (based upon high school grades and admissions scores) to actual graduation rates would reveal a much more accurate picture of the performance and success of educational institutions (Astin, 1997). Quantitative methods for assessing value-added performance and controlling for intervening variables could correct for some of these methodological problems. However, the use of more sophisticated mathematical models was explicitly rejected by the Chancellor's Office in the budget change proposal; under the rubric of keeping it simple, the proposal noted that "[t]hese statistical approaches, being highly technical and process intensive, are very expensive and lack . . . practicality" (Chancellor's Office, Budget Change Proposal, 1997).

The cumulative effect of such a reward structure over time would be the reallocation of system resources to those districts with relatively more affluent populations and a corresponding disinvestment of system resources in relatively less affluent districts. Funding of such outcomes could encourage colleges to shift resources away from student support services and away from the already more expensive basic skills and vocational fields, toward degree and transfer courses. Such developments would challenge the commitments laid out in the California Master Plan for Higher Education, and would upset the complex balance of system resources currently allocated among the multiple missions of transfer, basic skills, vocational education, and economic development. While some may believe that precisely such a reconsideration is in order, such a fundamental system-wide change needs to be made consciously and deliberatively--with opportunities not only for internal dialogue about expected educational implications, but with public scrutiny and opportunity to discuss and debate the likely public policy impacts such an incentive structure would produce.

Local Accountability vs. Centralized Performance based funding Priorities

Since AB1725 mandated regular accountability reporting, the Chancellor's Office for the California Community Colleges has done an admirable job of collecting and reporting upon an increasing number of performance indicators. While a broad concept of "accountability" cannot be reduced to simple performance measures, it should be noted that the California Community Colleges report openly and frequently on some 60 measures in the areas of student access, success, and satisfaction as well as fiscal condition and staff composition. The Academic Senate worked closely with the Chancellor's Office in setting up the accountability measures and advocated for and worked hard to implement regulations regarding student success. Having plans to address student success on a range of measures is now a minimum standard for the receipt of state apportionment dollars. However, these measures were not designed to support funding decisions.

An examination of one such measure should illustrate the problem. Certificates are the least prescribed and regulated awards within the system. They vary widely from district-to-district with regard to the required number of units and difficulty. Even within given occupations, there is wide variation among certificates, depending on the needs and requirements of local businesses and skill levels available in given populations. Funding colleges for the sheer number of non-comparable certificates awarded would surely be unsound policy. It would likely build in rewards for the proliferation of certificates without any concomitant assurance to students of the currency of certificates with employers. While this might generate increased levels of paperwork and create an illusion of "improvement," it is hard to see just how this would be an improvement for students or for the state (Collins, 1997).

The performance based funding movement is an integral part, and the logical consequence, of a larger movement toward the use of assessment to make K-12, colleges and universities more "accountable" for their students' learning. In addition, more frequent and standardized assessment has been advocated to ensure that students are college ready--as legislators in various states object to paying "twice" for basic skills instruction and have increasingly asserted that students should master basic skills before college. According to Ernst Benjamin, former

Secretary and President of the AAUP, poorly designed tests, imposed by state mandate, may diminish, rather than enhance student learning. The use of assessment exams and performance measures of basic skills, is more likely, says Benjamin, to result in colleges' restricting access for the under-prepared than in improving their learning. State legislators rarely have committed resources to remedy problems identified by placement or assessment tests. In states where funding has been offered, it is as a "reward for improved scores--but the funds aren't offered up front to improve student preparation" (Benjamin, 1990).

In the California Governor's proposed 1998-99 budget, in fact, programs known to improve student performance, including matriculation services and Puente Programs, were not given additional funding, while the "Partnership for Excellence" was funded. Yet, it is precisely those successful programs designed to improve student educational and occupational goal setting, to provide better advising and planning, and to support students in the transfer process which presumably would be needed to improve success on the desired "indicators."

More sophisticated assessment advocates have proposed that colleges might "forestall externally mandated standardization by encouraging faculty-developed and administered assessment, based on faculty-developed curricula and objectives." But, as Benjamin points out, that is what we currently have in our existing system of testing. Assessment proponents argue that learning "outcomes" provide "value added" measures. Benjamin argues, however, that having faculty members, rather than outside agencies, consultants or legislators devise the assessments would not necessarily protect students or faculty members from the intrusive rigidity of tests. Reliable and non-intrusive measures of achievement do exist, and can be useful sources of feedback for schools and colleges. Records of job placements, performance after transfer, as well as standardized admissions tests, or student or graduate surveys all can be useful. However, as Benjamin points out, they "become objectionable . . . when their relative reliability, which grows out of their specificity, is used to validate them as measures of overall curricular and instructional achievement. Where assessment measures have a regulatory, budgetary, or even a public-relations purpose, they are likely to develop this disproportionate influence."

Faculty-driven assessment approaches have been developed. These tend to be more procedural measures--such as student papers, performances, portfolios, exhibitions, and oral presentations. Increasingly, capstone approaches have been used to assess student achievement in majors or in general courses of study. These have considerable potential to serve as integrative educational tools, as well as to encourage students to synthesize and apply knowledge gained over a course of study. Of course, such assessments are hardly new, and have been used more or less routinely in some professional schools and various disciplines. Their "discovery" and promotion now in the community college context is laudable, but hopefully this is "because of their educational merit, not because they are the least undesirable response to state-mandated assessment" (Benjamin. 1990).

Qualitative indicators are generally left out of the performance based funding approach. Professor Larry Rouse of Foothill College in California has pointed out that it is possible to create qualitative data for such factors as originality, creativity, enthusiasm, bridging barriers of culture and language, interpersonal and critical thinking skills, and evidence of leadership. All of these more subjective factors are part of the behaviors and mind-set we attempt to generate in our

students, and which employers and transfer institutions ask us to judge. In fact, it could be argued that in any educational accountability system it is essential to create qualitative data for these more subjective factors in order to provide a context for understanding and interpreting performance on quantitative indicators. However, such qualitative variables presuppose that, as Rouse puts it, "we are looking at progress from baseline performance to qualitative differences that are value-additive specific to a target population of adult learners who by virtue of geographical location and socioeconomic context are central to the mission of that particular college" (Rouse, 1998). Such qualitative measures can be fruitfully used in all major accountability approaches in higher education, including peer review, program review, self-study and accreditation processes, as well as performance reporting and analysis.

Clearly, though, this context-sensitive and locally-grounded approach is not the trajectory enshrined in the Chancellor's proposal, nor in the performance based programs mandated by legislatures in other states. Rather, the movement toward uniform assessment and outcome measures is a move toward conformity in curricula and instruction which is necessary to achieve comparability. It is both a movement away from locally determined and community responsive curriculum and college goal setting, and a push toward standardized and centralized definitions of educational production.

The "outcomes" approach proposed by the Chancellor and the Board of Governors is really about "outputs"--defined in the Chancellor's proposal primarily as numerical targets to achieve higher productivity and more efficient use of existing institutional capacity. The proposed measures are not indicative of educational "excellence," so much as they are designed to push increased numbers of students through the system. To call a plan for increased educational production, a "partnership for excellence" is itself indicative of the rhetorical nature of the proposal. A true discussion of educational excellence would address the process and the quality of the educational experience, the values undergirding teaching and learning, the roles to be played by educated persons both as citizens and as workers in a democratic society, the importance of individual excellence and effort, and the right of students to deepen and enrich their lives as a central component of their educational success.

Budget Priorities

While the Chancellor and the Board of Governors proposed the "Partnership for Excellence" to increase funding, already that hope is problematic. In exchange for improved performance on the selected indicators, the Chancellor asked for significant increased investment in the system. But the system has no means to guarantee that the funds will be delivered as the proposal makes its way through the Department of Finance and the Legislature. The Governor has already halved the amount by earmarking $50, not $100, million for the "Partnership for Excellence." Furthermore, recent recalculations of the Proposition 98 revenue split indicate that the Governor's original budget may have been based on faulty projections. If so, it is conceivable that the overall amount proposed for the community colleges in the Governor's budget might be revised downward. In that case, it may be that the "Partnership for Excellence" would be funded

while other system needs go wanting. Many organizations, like the Community College League of California (CCLC) and the Academic Senate, have insisted that the Partnership should not be funded at the expense of other budget priorities (Collins, 1998).

If we look at the budget requests which were not funded in the Governor's budget, we can see what has been displaced by the funds earmarked for the "Partnership for Excellence." Augmentations to the Puente Program, disabled student programs and services, and matriculation were not funded. Nor was the hiring of more full-time faculty, or an ongoing investment in the management information system (which presumably would be used to report and track district and college performance). One-time requests totaling almost $150 million were given a one-time block grant of only $40 million. These included requests for such essentials as instructional equipment and library materials, maintenance and repairs, ADA architectural barrier removal, and student support services equipment.

To date, economic development and CalWORKs, important additions to the historic mission of the community colleges in California, have been largely funded out of redirected Proposition 98 funds. The California Community Colleges face increasing demands to meet state priorities. The colleges need a corresponding state commitment to help them meet these expectations. However, efforts to secure increased investment in the community colleges must be grounded in sound educational policy, not political maneuvers such as "performance payouts."

ACTION STEPS

The Academic Senate for California Community Colleges has made these concerns clear in testimony before the Legislature; legislators need to continue to hear from professional educators the likely educational implications of such a funding approach.

The Academic Senate, professional faculty and collective bargaining organizations, along with organizations representing administrators, CEOs, trustees and students have all registered opposition with the Board of Governors--and have gone on record in legislative hearings on the budget. The growing opposition to the reduction of accountability to crass payout schemes suggests that there is a critical mass ready to defend student access and educational quality from those willing to compromise it. In the long run, access and educational quality are the prizes upon which professional educators must be focused (Collins, 1998).

The Academic Senate for California Community Colleges is committed to the following action steps in its ongoing efforts to promote sound educational policy, and safeguard educational quality and access in the California Community Colleges.

1. The Academic Senate for California Community Colleges reaffirms its positions and resolutions opposing performance based funding, and in particular, the use of district specific performance payouts as a means of distributing state educational resources for the California Community Colleges.

2. The Academic Senate for California Community Colleges calls on the Chancellor and Board of Governors to reconsider its recommendation of district specific payouts and performance based funding.

3. The Academic Senate for California Community Colleges will further call on the Board and Chancellor to work collegially with the Academic Senate and other institutional and organizational representatives to seek increased funding for the community colleges and to make the positive case for the excellence of the system and the need for increased public support to maintain excellence and expand access.

4. The Academic Senate for California Community Colleges urges the Chancellor and the Board of Governors to redirect their energies and policies toward protecting and enlarging access, promoting the success of all community college students, and promoting of sound educational policy.

5. The Academic Senate for the California Community Colleges urges local academic senates to educate local faculty, trustees and administrators, staff and students, along with local legislators about the problems with the Partnership for Excellence approach and to raise public concern over this policy direction.

6. The Academic Senate for the California Community Colleges will work in concert with professional faculty and collective bargaining organizations, along with organizations representing administrators, CEOs, trustees and students, as well as affected internal and external constituencies (such as DSPS, matriculation and Puente faculty and staff) to oppose performance based funding approaches and to articulate the case for increased public support of the community colleges and their programs.

7. The Academic Senate for the California Community Colleges will work to educate the Legislature and the Department of Finance and the Governor's Office regarding the educational implications of performance based funding.

8. The Academic Senate for the California Community Colleges urges local senates to work through the budget change proposal (BCP) development process to assure that future BCPs do not include performance based funding, and to reaffirm commitment to other priorities unfunded in the 1998-99 Governor's budget. (These include: growth, COLA, equalization, full-time faculty, faculty and staff development, as well as augmentations for matriculation, DSPS, and Puente Programs.)

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